

## Message Text

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PAGE 01 TEHRAN 02720 250722Z

17

ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01

TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 FEA-01 /103 W

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R 250539Z MAR 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 759

UNCLAS TEHRAN 2720

E.O. 11652: N/A

TAGS: ETRD, IR

SUBJ: TRADE POLICY FOR NEW IRANIAN YEAR

REF: TEHRAN 1605 OF 3/20/74

1. GOI MINISTER OF COMMERCE FEREIDOUN MAHDAVI ON MARCH 20 ANNOUNCED NEW FOREIGN TRADE POLICY FOR THE IRANIAN NEW YEAR, 1354, BEGINNING ON THE FOLLOWING DAY. IN GENERAL, THE NEW POLICY FOLLOWS THE TREND TOWARDS LIBERALIZATION OF IRANIAN IMPORT REGULATIONS, BUT CHANGES WERE SMALLER THAN THOSE ANNOUNCED A YEAR AGO (REFTEL).

2. OFFICIAL LISTS AND GOI PRESS STATEMENT STILL ARE NOT AVAILABLE BECAUSE OF THE NEW YEAR HOLIDAY. NEWSPAPER REPORTS QUOTE MAHDAVI IN A PRESS CONFERENCE CONDUCTED TO EXPLAIN THE NEW POLICY AS STATING THAT THE COMMERCIAL BENEFIT TAX (CBT), THE MOST IMPORTANT IRANIAN IMPORT LEVY, HAS BEEN REDUCED OR ABOLISHED ON 60 ITEMS AND THAT 14 ITEMS HAVE BEEN REMOVED FROM THE IMPORT BANNED LIST. ACCORDING TO A PARTIAL LIST PUBLISHED IN THE FARSI "ETTELA'AT", THE LARGEST NUMBER OF AFFECTED COMMODITIES ARE VARIOUS CATEGORIES OF PROCESSED AND SEMI-PROCESSED FOODSTUFFS. TO FEED THE GROWING DEMAND FOR HOUSING AND OTHER CONSTRUCTION MATERIALS AND HOUSEWARES, LOWER OR NO IMPORT DUTIES WERE ANNOUNCED ON WOODEN PREFABRICATED HOUSES AND WOODEN WINDOWS AND DOORS, WOODEN FURNITURE, AND ALL

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PAGE 02 TEHRAN 02720 250722Z

TYPES OF CHAIRS. SMALLER REDUCTIONS IN THE COMMERCIAL BENEFIT TAX

HAVE BEEN MADE ON TV SETS, REFRIGERATORS AND OTHER HOUSEHOLD APPLIANCES.

3. IN HIS PRESS STATEMENT, MAHDAVI SAID IMPORT PROTECTION WOULD BE WITHDRAWN GRADUALLY FROM ESTABLISHED INDUSTRIES BUT LEFT NO DOUBT THAT IT WILL BE CONTINUED TO PROTECT NEW INDUSTRIES.

4. COMMENT: WITH ITS CURRENT LARGE FOREIGN EXCHANGE SURPLUS, IRAN COULD EASILY AFFORD TO MAKE LARGER REDUCTIONS IN IMPORT LEVIES. THEY ARE NO LONGER SIGNIFICANT TO THE GOI AS A REVENUE EARNER. HOWEVER, PROTECTION OF INFANT INDUSTRY, PARTICULARLY IN THE CASE OF MORE SOPHISTICATED MANUFACTURED GOODS, REMAINS A CARDINAL GOI POLICY. IN THE CASE OF FOREIGN-MADE AUTOMOBILES, A HIGH IMPORT DUTY IS MAINTAINED BOTH TO PROTECT A YOUNG INDUSTRY AND TO AMELIORATE SOMEWHAT THE RATE OF WORSENING OF THE COUNTRY'S HORRENDOUS TRAFFIC PROBLEM. AS WAS THE CASE WITH THE GOI'S TRADE POLICY FOR THE IRANIAN YEAR WHICH ENDED ON MARCH 20, CHANGES JUST ANNOUNCED HAVE A NEGLIGIBLE EFFECT ON IRAN'S TRADE WITH THE USA.  
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